

Message Text

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ACTION ARA-10

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FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 1768

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E.O. 11652: N/A

TAGS: EFIN, PINT, UY

SUBJECT: ECONOMY MINISTER'S RESIGNATION REPORTED

1. ONE MONTEVIDEO NEWSPAPER REPORTED TODAY, JULY 21, THAT MINISTER OF ECONOMY AND FINANCE ING. VEGH VILLEGAS WOULD RESIGN ON SEPTEMBER 1 AND BE REPLACED BY JUAN E. AZZINI. THE PAPER REPORTED THAT THE MINISTER HAD CONFIRMED THIS DIRECTLY WITH ITS REPORTERS. IT ALSO REPORTED THAT THE DIRECTOR OF THE OFFICE OF PLANNING AND BUDGET, ING. JUAN ANICHINI, WOULD RESIGN AND BE REPLACED BY BRIG. JOSE CARDOZO. CARDOZO HAS LONG BEEN INVOLVED IN MILITARY SUPERVISION OF GOU ECONOMIC POLICY AND IS PRESENTLY SECRETARY OF COSENA, THE NATIONAL SECURITY COUNCIL.

2. EMBOFF CONSULTED WITH OFFICIALS OF ECONOMY AND FINANCE MINISTRY CONCERNING THIS SURPRISE ANNOUNCEMENT. THE MINISTER HIMSELF IS NOT AT HIS OFFICE TODAY AND AZZINI IS IN BUENOS AIRES, WHERE HE WILL BE FOR THE REST OF THE WEEK. THE MINISTER'S SENIOR STAFF, INCLUDING SUB-SECRETARY ARISMENDI, WHO WOULD BE EXPECTED TO RESIGN WITH THE MINISTER, HAD NOT BEEN CONSULTED OR EVEN INFORMED PRIOR TO THE NEWSPAPER REPORT. NO ONE COULD EXPLAIN WHY THE MINISTER HAD CHOSEN THIS MOMENT TO ANNOUNCE HIS RESIGNATION, ALTHOUGH IT WAS NOTED THAT ALL MINISTERS WILL FORMALLY RESIGN UPON THE ASSUMPTION OF THE PRESIDENCY BY DR. APARICIO MENDEZ PLANNED FOR SEPTEMBER 1. MENDEZ HAS ALREADY ANNOUNCED THAT HE WOULD ASK

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CURRENT CABINET MEMBERS TO STAY ON, AT LEAST INITIALLY.

3. MINISTER VEGH'S POSITION WITHIN THE GOU HAS APPEARED TO BE INCREASINGLY STRONG OVER THE PAST SEVERAL MONTHS AND IT IS NOTABLE THAT THE RECENT POLITICAL SETTLEMENT APPEARED TO FOLLOW CLOSELY VEGH'S RECOMMENDATIONS. FURTHERMORE, WE UNDERSTAND THE GOU IS CONSIDERING A MAJOR CABINET REORGANIZATION WHICH WOULD INCLUDE PUTTING ALL THE MINISTRIES DEALING WITH ECONOMIC AFFAIRS UNDER A SUPER-MINISTER, IN THE STYLE RECENTLY ADOPTED IN ARGENTINA. VEGH IS THE LEADING CANDIDATE FOR THAT JOB. CONSIDERING THAT EVEN HIS CLOSEST ASSOCIATES INCLUDING ANICHINI, WERE NOT CONSULTED OR INFORMED CONCERNING HIS RESIGNATION AND MINISTER VEGH'S PAST PRACTICE OF SUBMITTING HIS RESIGNATION DURING POLICY DISPUTES, IT IS POSSIBLE THAT THE NEW RESIGNATION, IF TRUE, MAY REFLECT A DECISION OCCASIONED BY DISAGREEMENTS AT THE TOP LEVELS OF THE GOU. WE ARE TOLD THAT VEGH IS UNHAPPY AT WHAT HE PERCEIVES TO BE AN INCREASING TREND TOWARD MILITARY INVOLVEMENT IN GOU AFFAIRS AND, MORE CONCRETELY, THERE MAY BE DISAGREEMENT OVER THE PRECISE AUTHORITY OF THE NEW SUPER-MINISTER. IT IS REASONABLE TO ASSUME THAT VEGH WOULD WANT TO USE THE OCCASION OF THE REORGANIZATION TO FINALLY GET CONTROL OF THE BANK OF THE REPUBLIC, AN ORGANIZATION THAT HAS SUCCESSFULLY THWARTED A NUMBER OF HIS POLICIES. THE EMBASSY WILL OF COURSE CONTINUE TO ATTEMPT TO CONFIRM THIS REPORT AND ASSESS ITS IMPACT.

SIRACUSA

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